

Message Text

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FM AMEMBASSY PORT OF SPAIN

TO SECSTATE WASHDC 6506

INFO AMEMBASSY BRIDGETOWN

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TAGS: ENRG, EIND, TD, GY, JM

SUBJECT: GUYANA-JAMAICA-TRINIDAD PRIME MINISTERS DISCUSS

REGIONAL ALUMINUM PROJECT

REF: POS 1223

SUMMARY

FOLLOWING JUNE 7 MEETING OF PRIME MINISTERS OF GUYANA, JAMAICA AND TRINIDAD IN PORT OF SPAIN, A STATEMENT WAS ISSUED OUTLINING A FEW MORE DETAILS ABOUT THE PROPOSED REGIONAL JOINT VENTURE OF THE THREE GOVERNMENTS TO BUILD A \$500 MILLION ALUMINUM SMELTER IN TRINIDAD (AND A SECOND ONE IN GUYANA). A 200,000 TON CAPACITY SMELTER IS TO BE CONSTRUCTED FIRST IN TRINIDAD, UNCLASSIFIED

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WITH OWNERSHIP SPLIT ROUGHLY EQUALLY BETWEEN THE THREE GOVERNMENTS.

GUYANA AND JAMAICA WILL ASSUME RESPONSIBILITY FOR ALUMINA SUPPLY WHILE TRINIDAD PROVIDES THE NECESSARY POWER. EACH NATION WILL DETERMINE MARKETING OF ITS SHARE OF THE SMELTER'S PRODUCTION, WITH THE OPTION TO ENTER JOINT MARKETING VENTURES WITH EITHER OR BOTH OTHER GOVERNMENTS. A SECOND SMELTER, TO BE MAJORITY OWNED BY THE GUYANA GOVERNMENT, IS TO BE BUILT AT A LATER (AND UNSPECIFIED) DATED. AMONG THE REGIONAL ECONOMIC INTEGRATION IMPLICATIONS OF THIS PROJECT ARE JOINT-VENTURE SHIPPING ARRANGEMENTS AND "SPIN-OFF" INDUSTRIES TO UTILIZE SOME OF THE ALUMINUM OUTPUT. END SUMMARY.

1. FOLLOWING IS BASED UPON PRESS REPORTS AND INTERVIEWS WITH PARTICIPANTS IN THE DAY-LONG SESSION OF MEETINGS JUNE 7 BETWEEN PRIME MINISTERS BURNHAM, NAMLEY AND WILLIAMS. GOTT MINISTER OF INDUSTRY AND COMMERCE ERROL MAHABIR ACCOUNTED THAT THE PM'S HAD AGREED UPON TEN "PRINCIPLES OF AGREEMENT" FOR THE ESTABLISHMENT OF A JOINT VENTURE ALUMINUM SMELTER IN TRINIDAD. THESE PRINCIPLES INCLUDE EQUITY OWNERSHIP TO BE HELD 34 PERCENT BY THE GOTT AND 33 PERCENT EACH BY THE OTHER GOVERNMENTS, WITH ARRANGEMENTS TO ALTER THIS RATIO IN CASE OF FUTURE PARTICIPATION BY SURINAM OR OTHER CARIBBEAN COUNTRIES. THERE WILL BE NO PARTICIPATION BY ANY PERSON OR CORPORATION FROM OUTSIDE THE CARIBBEAN REGION. THE GOTT WILL HAVE SOLE RESPONSIBILITY FOR PROVISION OF POWER FACILITIES FOR THE SMELTER, AND GUZCNA AND JAMAICA WILL GIVE LONG-TERM GUARANTEES FOR THE SUPPLY--IN ROUGHLY EQUAL PROPORTIONS--OF ALUMINA FOR THE SMELTER. IN THE CASE OF JAMAICA, THE GOJ WILL HAVE EXCLUSIVE RESPONSIBILITY FOR ALUMINA SUPPLY, AND GUYANA WILL OFFER EQUIBH SHARES TO THE OTHER TWO GOVERNMENTS FOR PARTICIPATION IN ALUMINA PRODUCTION FACILITIES IN GUYANA.

2. MAHABIR SAID THE PROPOSED SMELTER WILL HAVE A CAPACITY OF 200,000 TONS OF ALUMINA, AND WILL BE LOCATED AT POINT LISAS ON TRINIDAD'S WEST COAST, WHICH IS THE TERMINUS OF A PROPOSED NATURAL GAS PIPELINE WHICH THE GOTT WILL BUILD TO DISTRIBUTE GAS FOUND IN AMOCO'S EXTENSIVE CONCESSIONS OFF SOUTHEASTERN TRINIDAD. PRESS STORIES HAVE SPECULATED THAT INVESTMENT IN THE SMELTER FACILITIES MAY TOTAL US\$500 MILLION OVER THE NEXT THREE YEARS. MAHABIR SAID THAT THE THREE GOVERN-

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MENTS HAVE ESTABLISHED A JOINT VENTURE GROUP (WHICH WILL MEET FOR THE FIRST TIME DURING THE WEEK OF JUNE 23 IN JAMAICA), WHOSE FIRST TASK WILL BE SELECTION OF CONSULTANTS FOR THE PROJECT AND DISCUSSION OF SUITABLE METHODS OF FINANCING.

3. A SECOND PHASE OF THE PROJECT WILL INVOLVE CONSTRUCTION OF A SMELTER IN GUYANA. THE GUYANA GOVERNMENT IS TO UNDERTAKE PROVISION OF POWER FROM HYDROELECTRIC SOURCES FOR THAT PROJECT,

IN WHICH EQUITY DISTRIBUTION WILL BE 52 PERCENT FOR GUYANA AND 24 PERCENT EACH FOR TRINIDAD AND JAMAICA.

4. MAHABIR EMPHASIZED THE MANY ECONOMIC INTEGRATION ASPECTS OF THE PROJECT, NOTING THAT LOCAL CONTRACTORS SHOULD BE GIVEN PREFERENCE FOR CONSTRUCTION AND SUPPLY OF RAW MATERIALS, AND SAYING THAT THE PROJECT WILL INVOLVE JOINT SHIPPING VENTURES WHICH IN THE FUTURE MIGHT EXTEND TO OTHER COMMODITIES SUCH AS OIL AND SUGAR. HE ALSO SUGGESTED THAT EACH GOVERNMENT WILL GIVE PRIORITY TO THE DEVELOPMENT OF LOCAL INDUSTRIES TO UTILIZE THAT GOVERNMENT'S SHARE OF ALUMINUM PRODUCED BY THE SMELTER, AND CLAIMED THAT SUCH "SPIN-OFF" INDUSTRIES WILL PROVIDE EXTENSIVE LABOR-INTENSIVE EMPLOYMENT OPPORTUNITIES.

5. LOCAL PRESS DEVOTED CONSIDERABLE ATTENTION TO JAMAICA PM MANLEY, INCLUDING AN INTERVIEW IN WHICH HE CAREFULLY EXPLAINED THE GOJ POSITION REGARDING TAXATION OF THE FOREIGN ALUMINUM FIRMS. THE PRESS ALSO STATED THAT, FOLLOWING THE PM'S JOINT MEETING, THE PM'S OF GUYANA AND TRINIDAD EXPRESSED ON BEHALF OF THEIR GOVERNMENTS "COMPLETE SUPPORT FOR THE ACTION TAKEN RECENTLY BY THE GOVERNMENT OF JAMAICA IN RESPECT TO THE REVENUE DERIVED FROM THE MINING AND PROCESSING OF BAUXITE."

6. COMMENT: THERE ARE CLEARLY MANY PITFALLS AHEAD IN THE IMPLEMENTATION OF SUCH A COMPLEX SCHEME INVOLVING THREE GOVERNMENTS AS JOINT-VENTURE PARTNERS, AND WE DOUBT THAT THE 1976 TIME-TABLE FOR COMPLETION CAN BE MET. NEVERTHELESS, THE PROPOSED SMELTER IS IMPORTANT NOT ONLY DUE TO THE MAGNITUDE OF THE PLANNED INVESTMENT BUT ALSO AS AN ECONOMIC INTEGRATION PROJECT INVOLVING THREE CARICOM GOVERNMENTS. IT SHOULD PROVIDE IMPETUS FOR EARLY CONSTRUCTION OF THE CROSS-TRINIDAD NATURAL GAS PIPELINE WHICH IS TO PROVIDE FUEL FOR A NUMBER OF ENERGY-RELATED UNCLASSIFIED

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INDUSTRIES (FERTILIZER, PETROCHEMICALS, ETC.), WHICH ARE EXPECTED TO PROVIDE A CONSIDERABLE BOOST TO THE TRINIDADIAN ECONOMY. THE REGIONAL ASPECTS OF THE ALUMINUM SMELTER, PLUS THE IMPLIED REGIONAL JOINT VENTURES IN SHIPPING AND OTHER FIELDS, SHOULD ALSO CONTRIBUTE TO THE ECONOMIC WELL-BEING OF THE THREE PARTNERS AND--EVENTUALLY--THE ENTIRE CARICOM REGION. WE HAVE NO INFORMATION HERE AS TO THE LIKELIHOOD OR VIABILITY OF THE PROPOSED SECOND SMELTER IN GUYANA, AND SUSPECT THAT IT MAY HAVE BEEN INCLUDED IN THE PORT OF SPAIN ANNOUNCEMENT AS WINDOW DRESSING FOR PM BURNHAM. RICH

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